

WE KEEP EVOLVING

Since its founding in 1924, the TOMY Company has continued to provide “new value from play” as a leading company in the toy industry.

At present, the whole concept of toys and playing is undergoing major changes due to the spread of smartphones, tablets and the advent of SNS. TOMY, which has a long history of cultivating products and brands, is compelled to evolve along with the changing times.

Amid these conditions, in 2014, the year we commemorated the 90th year since our founding, we unveiled a New Medium-Term Management Plan and launched three revolutions: “revolution of mind,” “product revolution” and “structural revolution of business.” In the fiscal year ended March 2016, the second year of this plan, we have begun seeing results, having achieved net sales growth for eight consecutive quarters.*1

Since April 2016, we have been accelerating our evolution toward further growth under the four keywords ENDLESS, AGELESS, BORDERLESS and POA*2, which are critical for the toy market going forward.

This year’s annual report is a compilation of subjects illustrating the TOMY Company’s evolution. The “Message from the President & CEO” offers a market outlook and corresponding strategies that expound on the direction of our evolution. The “Special Feature” presents specific initiatives for realizing this evolution based on the aforementioned four keywords. And, the “Corporate Social Responsibility” explains the Group’s CSR approach and initiatives, which are the foundation supporting our evolution. Through this report, we hope to facilitate an understanding of how this evolution will lead to the growth of the TOMY Group.

*1 Sales excluding the impact from the transfer of shares in TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd.

*2 POA: Point of Availability

PHILOSOPHY AND MISSION

Our core philosophy to “bring smiles to the faces of children the world over through our outstanding products,” and the corporate mission serve as a judgment criterion for each of us, pointing out the correct path across the years and in various situations. We will hold fast to this navigational tool as we respond to the challenges of the times and the changing environment with a shared sense of values.

FOUNDING PHILOSOPHY

Let's excite the world's markets with our outstanding products.

Our sincerity and diligence will contribute to society and lead to our own success and happiness.

CORPORATE MISSION

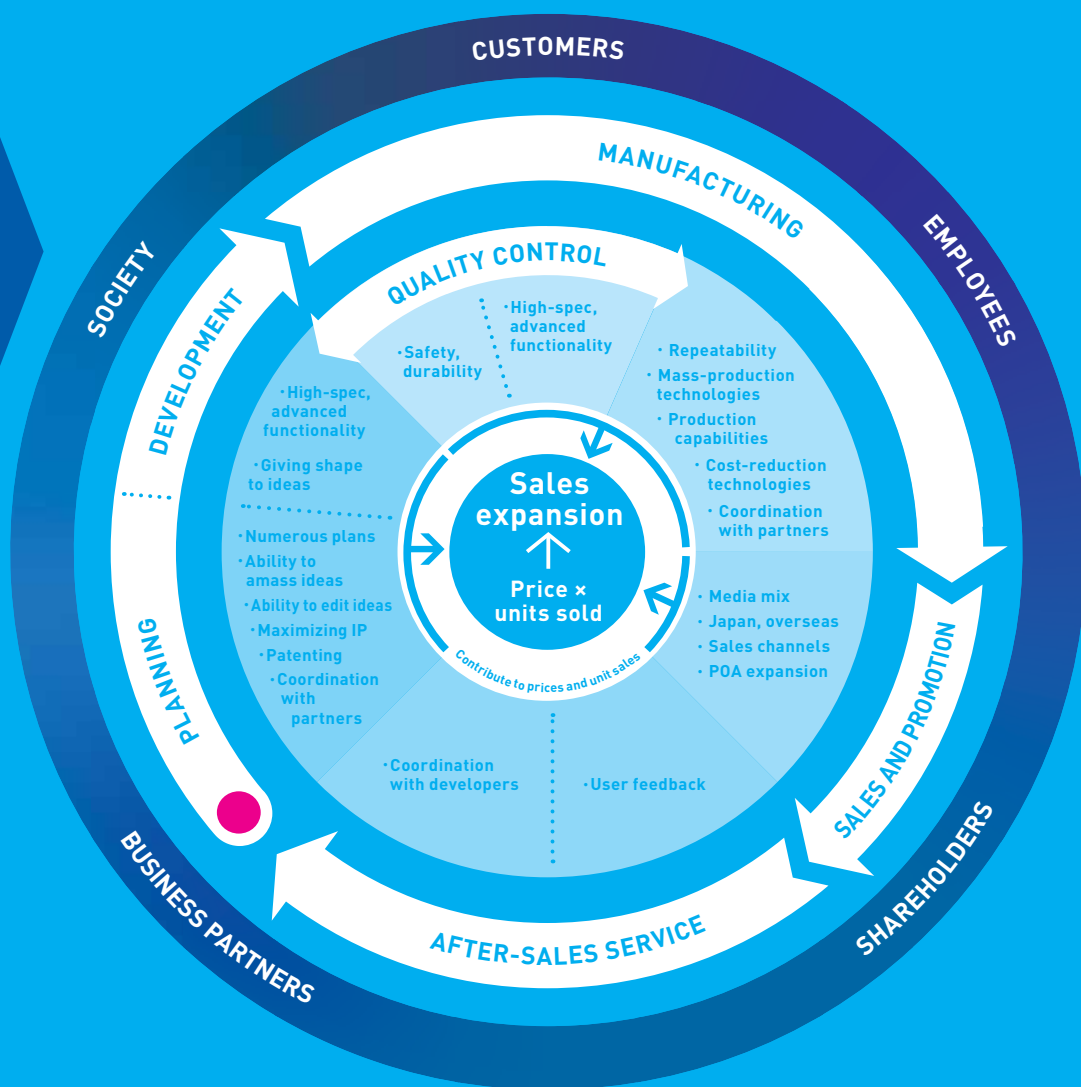
Our mission is to fulfill the dreams of our stakeholders, including

- The dreams of children
- The dreams of our employees
- The dreams of our shareholders
- The dreams of our business partners
- The dreams of society

We will create new value from play.

BUSINESS MODEL

Evolution is achieved through business activities (business model), from planning and development, to manufacturing, sales, promotion and after-sales service. By fine-tuning our numerous ideas, originality and development capabilities, and our safety and mass-production technologies, we create high-value-added products while cultivating and strengthening brands. Value created in this way is delivered to all our stakeholders.



COMPETITIVENESS

Our evolution will be accelerated by the experience and expertise accumulated by the Group up to now through the cultivation of products and brands and the development process. We will create opportunities for new value and earnings by converting core products into brands. Going forward, we aim to create toys for a new era and thrive on tangible and intangible assets.

- ▶ Industry leader in the number of registered trademarks
- ▶ More than 60 leading brands
- ▶ Product rollouts in 15 of the 16 toy categories
- ▶ Long-selling products shipped

TOMICA



More than 600 million products
with more than 880 types in total

DUEL MASTERS



Approximately 5 billion cards

PLARAIL







More than 155 million products
with more than 1,300 types in total

TRANSFORMERS



More than 130 countries and regions where
TRANSFORMERS have been launched
More than 500 million products sold

FY2015 PERFORMANCE

 Substantial increase in domestic shipments of core products <ul style="list-style-type: none">▶ TOMICA: Highest ever on 20% increase YoY *1▶ PLARAIL: Highest ever on 10% increase YoY *1▶ LICCA dolls: Highest earnings in 23 years on an increase of approximately 50% *1  	New products using proprietary and other company IPs performed favorably <ul style="list-style-type: none">▶ STEPPY: Exceeded store sales target in December by about 30%▶ MOCOMOJI ORINA: Ranked No. 1 in girls' toys for year-end sales▶ STAR WARS: Exceeded domestic sales target by about 20%
Customer satisfaction ratio*2 at all-time high of <h1>98.4%</h1>	BIG BET (highest priority products) new deployment BEYBLADE BURST sales launched in July <ul style="list-style-type: none">▶ Domestic shipments increased 30% YoY *1▶ No. 1 in story comics▶ Total of 3,500 events held▶ Free machine operations 
TOMY sales in December hit record high for single month	No. 1 customer Top vendor for 11 months straight

*1 Shipments of TOMY in Japan for FY2015

*2 In-company investigation (data collection period: April 2015–March 2016)

BUSINESS HIGHLIGHTS

Consolidated Earnings

Net Sales: In addition to the favorable performance of core products and battle toys for boys in the Japanese market, the release of licensed products in overseas markets led to the eighth consecutive quarter of sales growth.* *Sales excluding the impact from the transfer of shares in TOYS UNION Co., Ltd., and TATSUNOKO PRODUCTION Co., Ltd.

Income: Advertising and R&D expenses increased in line with sales expansion, as operating income growth was buoyed by higher gross profit in line with increased sales. Profit attributable to owners of parent reported a loss due to the recognition of impairment losses on goodwill at an overseas subsidiary and some intangible assets resulting in an extraordinary loss.

Toy Market

In the fiscal year ended March 31, 2016 (FY2015), the Japanese toy market had a value of ¥800.3 billion. This figure was essentially the same level of sales as in the fiscal year ended March 31, 2015, which saw the highest sales in the past 10 years. Compared with the previous fiscal year, when sales were driven by major hit characters, in the fiscal year under review core products for boys and girls grew substantially. By category, interactive toys (up 31.8% YoY), boys' toys (up 16.7%) and trading card games (up 10.5%) achieved particularly noteworthy growth.

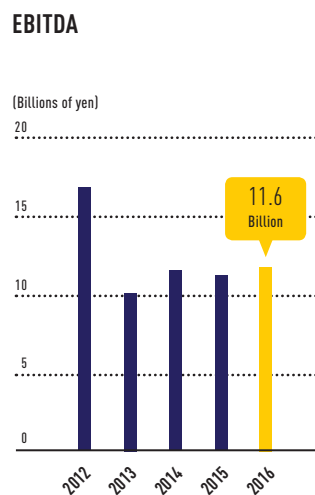
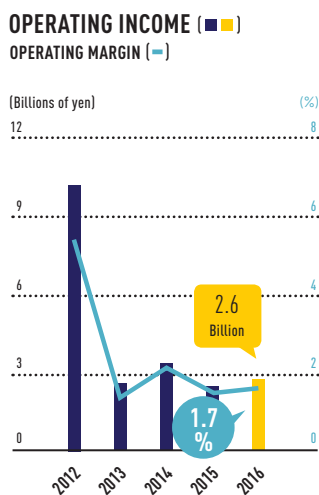
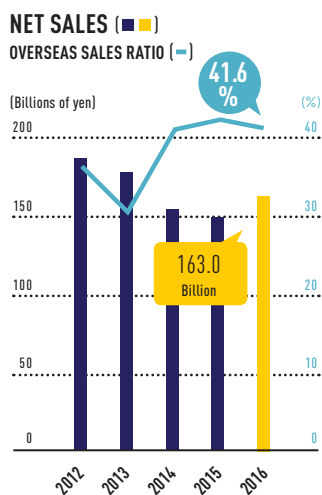
(Source: The Japan Toy Association)

RESULTS FOR THE YEAR ENDED MARCH 2016

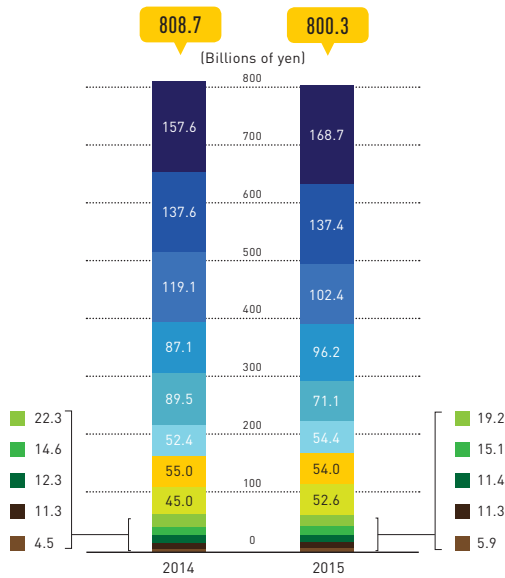
NET SALES: **¥163.0** billion

OPERATING INCOME: **¥2.6** billion

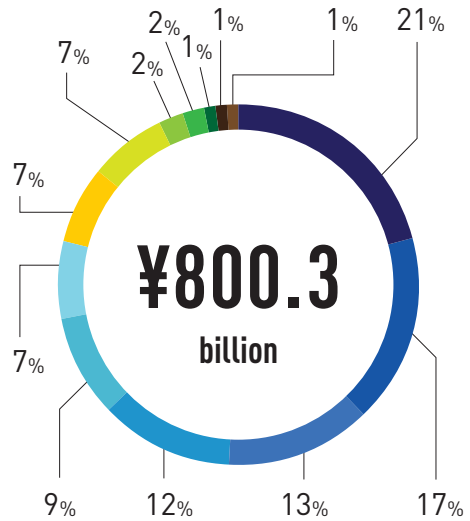
EBITDA: **¥11.6** billion



Japanese Toy Market



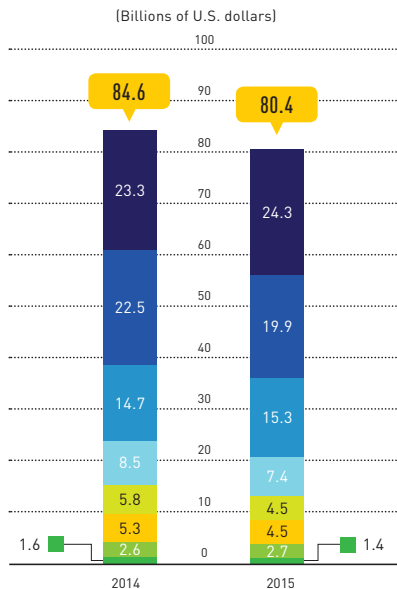
*The survey period of each year is April 1 to March 31.



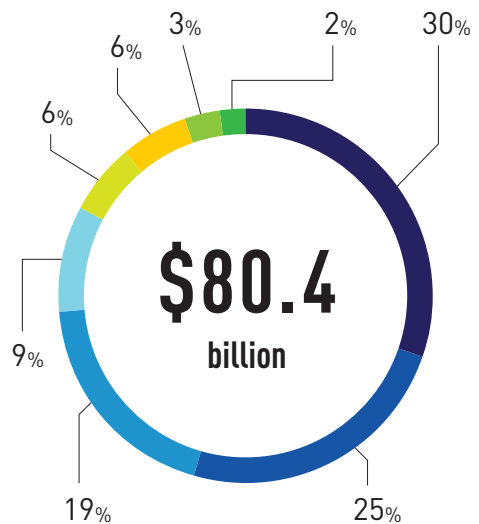
Source: The Japan Toy Association

- Educational toys
- Girls' toys
- Jigsaw puzzles
- Hobbies
- Seasonal toys
- Others
- Stationery, gifts, etc.
- Boys' toys
- Interactive toys
- Card games, trading card games
- Stuffed toys
- Games
- Boys' characters

Global Toy Market



*The survey period of each year is January 1 to December 31.



Source: Euro monitor International Ltd.

- North America
- Asia Pacific (ex-Japan)
- Eastern Europe
- Middle East and Africa
- Western Europe
- Latin America
- Japan
- Australasia